

Message Text

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ACTION EB-07

INFO OCT-01 ARA-06 ISO-00 AGR-05 CEA-01 CIAE-00 COME-00

DODE-00 FRB-03 H-01 INR-07 INT-05 L-02 LAB-04 NSAE-00

NSC-05 PA-01 AID-05 CIEP-01 SS-15 STR-01 TAR-01

TRSE-00 USIA-06 PRS-01 SP-02 OMB-01 FEA-01 /082 W

----- 046978

R 051530Z MAR 75

FM AMEMBASSY BRASILIA

TO SECSTATE WASHDC 8003

INFO AMCONSUL RIO DE JANEIRO

AMCONSUL SAO PAULO

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E.O.11652: N/A

TAGS: ETRD, EFIN, BR

SUBJECT: FOREIGN MINISTER'S NOTE TO AMBASSADOR ON HANDBAG COMPLAINT

REF: BRASILIA 4703 OF JUNE 26, 1974

1. SUMMARY: AMBASSADOR HAS RECEIVED NOTE, DATED FEBRUARY 28, FROM FOREIGN MINISTER SILVEIRA EXPRESSING "PROFOUND PREOCCUPATION" WITH THE DEPARTMENT OF THE TREASURY'S COUNTERVAILING DUTY INVESTIGATION ON BRAZILIAN LEATHER HANDBAGS. THE NOTE CLOSELY FOLLOWS POSITION TAKEN BY GOB AT THE TIME OF THE INVESTIGATION ON LEATHER FOOTWEAR (REFTEL). IN EMBASSY'S VIEW, FIRST PERSON FORMAT OF NOTE REFLECTS INCREASING CONCERN WITH RESPECT TRADE ISSUES WITHIN HIGHEST LEVELS OF GOB. END SUMMARY: INFORMAL TRANSLATION FOLLOWS:
BEGIN QUOTE: DEAR MR. AMBASSADOR:

I HAVE THE HONOR TO REFER TO THE INVESTIGATIVE PROCEEDINGS CURRENTLY BEING UNDERTAKEN BY THE DEPARTMENT OF THE TREASURY ON THE ALLEGED CONCESSIONS OF SUBSIDIES TO BRAZILIAN LEATHER HANDBAGS EXPORTED TO THE U.S. IN THIS RESPECT, I REITERATE THE BRAZILIAN POSITION ADOPTED DURING THE INVESTIGATION BY THE DEPARTMENT OF THE TREASURY

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RELATIVE TO IMPORTS OF BRAZILIAN LEATHER FOOTWEAR,

REALIZED IN 1974, WHICH COULD BE SUMMARIZED WITH THE FOLLOWING POINTS:

A. IN ACCORDANCE WITH EXISTING INTERNATIONAL STANDARDS, BRAZIL HAS THE RIGHT TO PROVIDE INCENTIVES TO ITS EXPORTS OF MANUFACTURED PRODUCTS.

B. BRAZIL CONSIDERS THE ATTITUDE OF THE U.S. GOVERNMENT NOT TO BE IN AGREEMENT WITH GATT SINCE IT INVOLVES EXPORTS WHICH ARE NOT UPSETTING, NOR THREATENING TO UPSET, THE AMERICAN MARKET CONSIDERING THE FACT THAT THESE PRODUCTS MAKE UP A SMALL SHARE OF TOTAL AMERICAN IMPORTS OF THESE SAME PRODUCTS.

FOR THE BRAZILIAN GOVERNMENT THE LACK OF INJURY, OR THREAT OF INJURY, IN THE CASE OF BRAZILIAN EXPORTS OF LEATHER HANDBAGS IS CONFIRMED BY THE SMALL PERCENTAGE OF THE BRAZILIAN PRODUCT IN THE TOTAL U.S. IMPORTS WHICH, REACHING ONLY 9.2 PERCENT, CANNOT BE DAMAGING SECTORAL OR GLOBAL INTERESTS OF THE U.S.

ON THE OTHER HAND, THE HANDBAG INDUSTRY IN BRAZIL IS CHARACTERIZED BY LABOR INTENSIVE ACTIVITY, TO A GREAT EXTENT OF AN ARTISAN NATURE. AS SUCH, AN EVENTUAL IMPOSITION OF RESTRICTIVE MEASURES TO THE EXPORTS OF THAT SECTOR, IN ADDITION TO SERIOUSLY AFFECTING THE PRODUCERS OF LEATHER HANDBAGS, CAUSES UNEMPLOYMENT WITH RAVE SOCIAL REPERCUSSIONS.

IN THIS RESPECT, THE IMPORTANCE TO THE NATIONAL DEVELOPMENT EFFORT OF THE BRAZILIAN LEATHER INDUSTRY AS A COMPONENT OF OUR RAW MATERIAL PROCESSING POLICY, SHOULD BE STRESSED AGAIN.

UNDER THESE CIRCUMSTANCES, THE GOVERNMENT OF BRAZIL WISHES TO EXPRESS ITS DEEP PREOCCUPATION WITH THE INVESTIGATION BY THE DEPARTMENT OF THE TREASURY OF LEATHER HANDBAGS AND WITH THE REPERCUSSIONS THAT SUCH MEASURES ADOPTED BY THE U.S., WITH THE OBJECTIVE OF RESTRICTING BRAZILIAN EXPORTS TO THE AMERICAN MARKET, CAN HAVE ON THE GOOD RELATINS BETWEEN THE TWO COUNTRIES.

ON THE OTHER HAND, THE BRAZILIAN GOVERNMENT WISHES TO STATE ITS FIRM EXPECTATION THAT, WITHIN THE CONTEXT OF THE MULTILATERAL TRADE NEGOTIATIONS, AN AGREEMENT CAN BE REACHED ON EXPORT INCENTIVES AND COUNTERVAILING DUTY PREACTICES WHICH WOULD ESTABLISH LIMITED OFFICIAL USE

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A DIFFERENTIAL OR MORE FAVORABLE TREATMENT FOR DEVELOPING COUNTRIES. BRAZIL CONSIDERS THAT AN AGREEMENT OF THIS NATURE CONSTITUTES ONE OF THE MOST IMPORTANT QUESTIONS TO BE CONSIDERED IN THE INITIAL PHASE OF THE MTN'S IN GENEVA. THE BRAZILIAN GOVERNMENT HOPES, THERERFORE, THAT CONSIDERATION OF THIS SUBJECT INTHE MULTILATERAL FORUM PERMITS THE AMERICAN GOVERNMENT TO FIND A DEFINITIVE SOLUTION TO THIS QUESTION.

I WISH TO EXPRESS, FINALLY, THE APPREHENSION OF
THE BRAZILIAN GOVERNMENT ABOUT THE FACT THAT BRAZIL
HAS BEEN THE SUBJECT, FOR THE SECOND TIME WITHIN THE
SPAN OF ONE YEAR, OF AN INVESTIGATION RELATING TO
ITS POLICY OF EXPORT INCENTIVES.

I TAKE THIS OPPORTUNITY TO RENEW TO YOUR EXCELLENCY
ASSURANCES OF MY HIGHEST CONSIDERATIONS.
END QUOTE

2. COMMENT: THE FACT THAT THIS NOTE WAS SIGNED BY
THE FOREIGN MINISTER HIMSELF, WHEREAS THE NOTE ON
FOOTWEAR WAS SIGNED BY THE HEAD OF THE ECONOMIC DEPARTMENT
OF ITAMARATY, INDICATES THE INCREASED IMPORTANCE,
AND LEVEL OF CONCERN, TRADE MATTERS OF THIS KIND ARE
RECEIVING WITHIN THE GOB. AS HAS BEEN REPORTED ELSEWHERE,
(BRASILIA 1558), GOB OFFICIALS HAVE BEEN PUBLICLY
EXPRESSING THEIR CONCERN WITH THE IMPLICATIONS FOR
BRAZIL OF THE COUNTERVAILING DUTY ASPECTS OF THE TRADE
ACT. THE LEATHER HANDBAG INVESTIGATIONS, AND THE
LIKELIHOOD THAT ADDITIONAL COMPLAINTS MAY BE LODGED
WITH TREASURY, CONSTITUTE AN ADDITIONAL STRONG
IRRITANT INTO OUR BILATERAL RELATIONS.
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Message Attributes

Automatic Decaptioning: X
Capture Date: 01 JAN 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: LEATHER, EXPORTS, DIPLOMATIC NOTES, COUNTERVAILING DUTIES, INVESTIGATIONS
Control Number: n/a
Copy: SINGLE
Draft Date: 05 MAR 1975
Decaption Date: 01 JAN 1960
Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Authority: CunninFX
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 28 MAY 2004
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1975BRASIL01657
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: N/A
Errors: N/A
Film Number: D750079-0311
From: BRASILIA
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1975/newtext/t19750382/aaaacvnc.tel
Line Count: 138
Locator: TEXT ON-LINE, ON MICROFILM
Office: ACTION EB
Original Classification: LIMITED OFFICIAL USE
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 3
Previous Channel Indicators: n/a
Previous Classification: LIMITED OFFICIAL USE
Previous Handling Restrictions: n/a
Reference: 75 BRASILIA 4703, 75 OF JUNE 26, 75 1974
Review Action: RELEASED, APPROVED
Review Authority: CunninFX
Review Comment: n/a
Review Content Flags:
Review Date: 30 JUN 2003
Review Event:
Review Exemptions: n/a
Review History: RELEASED <30 JUN 2003 by KelleyW0>; APPROVED <19 DEC 2003 by CunninFX>
Review Markings:

Margaret P. Grafeld
Declassified/Released
US Department of State
EO Systematic Review
05 JUL 2006

Review Media Identifier:
Review Referrals: n/a
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
Secure: OPEN
Status: NATIVE
Subject: FOREIGN MINISTER'S NOTE TO AMBASSADOR ON HANDBAG COMPLAINT
TAGS: ETRD, EFIN, BR, US, (AZEREDO DA SILVEIRA, ANTONIO)
To: STATE
Type: TE
Markings: Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 05 JUL 2006